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## NOTES

### THE PRUSSIAN RAILWAY DEPARTMENT AND THE MILK SUPPLY OF BERLIN

In February, 1903, and in February and June, 1905, the Statistical Department of Berlin made three investigations into the sources of the milk supply of Berlin and its three immediate suburbs, Charlottenburg, Schöneberg, and Rixdorf.<sup>1</sup> In June, 1905, those cities had a population of 2,533,000; and they constituted the center of an aggregate population of upward of 3,250,000; which aggregate in turn, was increasing at the rate of 190,000 people a year.

The foregoing investigations showed that for all practical purposes the railway freight charges prohibit the importation of milk from points distant more than 75 miles;<sup>2</sup> that the railway freight charges are so high that it pays to utilize the courts and back-yards of Berlin, Charlottenburg, Schöneberg, and Rixdorf for the purposes of stabling milch-cows which supply 17 per cent. of the milk consumed in those cities;<sup>3</sup> that the effect of the distance tariff—

<sup>1</sup> The results of the first investigation were published in *Berliner Statistik*, Heft 1; the results of the last two investigations have not yet been published, but the Statistical Department permitted me to read them in the manuscript form and to make extracts therefrom.

<sup>2</sup> Proportion borne by the milk carried the following distances by rail to the total of milk carried by rail:

Distance in Miles	February, 1903	February, 1905	June, 1905
25 or less.....	34.74%	27.14%	24.41%
26 to 44.....	36.53	40.22	42.62
45 to 56.....	18.65	18.67	18.48
57 to 75.....	8.72	9.86	10.57
76 to 176.....	1.36	2.53	2.38
Imported from Denmark.....	0.00	1.58	1.54
	100.00%	100.00%	100.00%

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	DECEMBER, 1902		DECEMBER, 1904		DECEMBER, 1904
	No. of Dairies	No. of Cows	No. of Dairies	No. of Cows	Population
Berlin.....	742	9,435	763	10,443	1,998,500
Charlottenburg.....	62	505	66	645	224,300
Schöneberg.....	36	603	35	633	132,305
Rixdorf.....	86	828	101	1,090	139,486
Total.....	926	11,431	965	12,811	2,494,591

described in the issue of this *Journal* of April, 1906—has been to concentrate within a distance of 56 miles of Berlin no less than 85 per cent. of the dairy cows whose milk is sent to Berlin by rail.

The following facts are added in order to enable the reader to appreciate the significance of the presence in Berlin in December, 1904, of 763 dairies with a total of 10,443 cows. The Administrative County of London has an area of 121 square miles, and a population of 4,600,000, or 62 people to the acre. Berlin has an area of 25.4 square miles, and 116 people to the acre. In December, 1905, there were in the Administrative County of London 4,602 head of cattle, maintained in 251 dairies and cowhouses. The number of cattle had decreased year by year, from 6,253 head, kept in 353 dairies and cowhouses, in December, 1898.<sup>4</sup> Cow-houses, slaughter-houses, and knackers' yards, when maintained within the limits of the Administrative County of London, the London County Council deems "offensive" trades.

Nor have the large German cities outside of Berlin anything like the number of cows that Berlin has.<sup>5</sup> Those cities still have something like the same number of cows that Berlin had when it was the size of those cities, and still could be supplied to a considerable extent from dairies that sent their milk into the city by wagon.

In *Nordamerikanische Eisenbahnen*, in the course of an attempt to controvert an argument made by myself in *Government Regulation of Railway Rates*, Geheimer Ober-Regierungsrat W. Hoff and Geheimer Regierungsrat F. Schwabach have asserted that the railway charges had nothing to do with the presence of 9,435 cows in Berlin, in December, 1902. They have asserted that those cows produced all but exclusively milk for infants, children, and invalids, which milk sold at double the price of the milk brought in by the railways, and therefore did not compete with the latter. Since *Berliner Statistik*, which lay before Messrs. Hoff and Schwabach when they made the foregoing statement, stated that the dairy-

<sup>4</sup> *Statistical Abstract for London*, 1906, Vol. IX.

	City Milk	Wagon Milk	Railway Milk
Berlin (1902).....	18.0%	10.0%	72.0%
Hamburg (1902).....	4.5	30.9	55.6
Munich (1902).....	7.1	33.9	59.0
Leipzig (1903).....	3.4	41.8	54.8
Dresden (1902).....	3.3	25.4	70.6
Frankfort a/M (1902).....	8.7	33.1	58.2

men of Berlin had reported only 4.3 per cent. of their milk as children's milk, I inquired in person at the city's Statistical Department whether Messrs. Hoff and Schwabach's statement were accurate. The gentleman who had been in charge of the investigations of 1903 and 1905 assured me that the milk produced in Berlin and the milk brought in by railway were practically identical in quality; that they sold at the same retail prices, and competed with each other. I mention this fact, partly because it is essential to the argument, partly because the incident illustrates the peculiar nature of the arguments by means of which Wirklicher Geheimer Ober-Regierungsrat von der Leyen and Messrs. Hoff and Schwabach, in Germany, and Professors B. H. Meyer Frank H. Dixon, and Willard Fisher, in America, have sought to support their statements, oral and written, that the author of *Government Regulation of Railway Rates* had misrepresented facts, and was in truth little better than a charlatan.

The Bund der Landwirte is one of the most powerful political organizations in Germany existing for the purpose of promoting class and sectional interests as distinguished from the national well-being. At one end it consists of peasants; at the other end it consists of members of the landed aristocracy. Its purpose is to secure legislation which shall arrest the decline in the prices of farm products and farming land which has resulted from the improvement in the means of transportation by land and by sea effected since, say, 1860. In the year 1900 the Brandenburg members of the *Bund der Landwirte*, under the leadership of Mr. Ernst Ring, a prominent Conservative member of the Prussian diet, organized the *Berliner Milch-Centrale*. Upon the retirement of Mr. Ring, in 1905 or thereabout, Mr. Diedrich Hahn, chairman of the *Bund der Landwirte*, became chairman of the *Berliner Milch-Centrale*. Bodies similar to the *Berliner Milch-Centrale* were organized in other parts of Germany under the auspices of the *Bund der Landwirte*.

The members of the *Berliner Milch-Centrale* obliged themselves not to sell milk to the retail dealers of Berlin at less than 13.5 pfennige per liter; the retail price of milk being 18 pfennige for milk sold across the counter, and 20 pfennige for milk delivered at the door. Before the formation of the *Centrale* the wholesale price of milk delivered at the railway stations in Berlin had been about

11 to 12 pfennige. In order to protect its members, the *Centrale* agreed to purchase all the milk which the members should fail to sell to retail dealers at 13.5 pfennige. The *Centrale* converted the purchased milk into butter and cheese, and assessed its members for the purpose of making good any losses incurred in the aforesaid manufacture of butter and cheese. At first the assessment was fixed at 0.5 pfennig per liter produced by each member; subsequently it was raised to 1.5 and 2 pfennige.

The retail dealers organized a counter-movement, pledging themselves not to pay more than 12.5 pfennige per liter. There ensued the so-called milk-war, which dragged on for many years. The *Centrale* finally sold milk at retail, from street wagons as well as from shops. The retail dealers appealed to the Railway Department for such reductions in freight charges as should make it possible to ship milk into Berlin from points distant 187.5 miles. A large retail dealer offered to undertake to induce farmers distant as far as 187.5 miles to supply milk for Berlin; but the Railway Department declined to co-operate with him,<sup>6</sup> or to grant any reductions whatever in rates. The leading commercial organizations of Berlin, the *Aeltesten der Kaufmannschaft* and the Chamber of Commerce, supported the request for railway rates which should permit milk to be shipped from points distant 187.5 miles. They stated that the increase in the supply of milk which would follow upon such a reduction of freight charges would lower the retail price of milk in Berlin, and that the increased supply was demanded by public necessity and convenience. They added that the concession in question would benefit also the distant dairyman, who at present was obliged to sell his milk locally at comparatively low prices, either for local consumption or as raw material for the manufacture of butter and cheese. Similar requests for reduced freight rates, as well as for the transportation of milk in refrigerator cars and special milk trains,<sup>7</sup> the aforesaid commercial bodies had expressed as far back as 1895 and 1896, when the wholesale

<sup>6</sup> *Berliner Jahrbuch für Handel und Industrie: Bericht der Aeltesten der Kaufmannschaft von Berlin*, 1902, Part II. p. 32.

<sup>7</sup> *Berliner Jahrbuch für Handel und Industrie: Bericht der Aeltesten der Kaufmannschaft von Berlin*; 1895, p. 130; 1896, p. 145; 1901, Part I, p. 11, and Part II, p. 54; 1902, Part II, p. 32; 1903, Part II, p. 94; Part, pp. 120-22; 1905, Part II, pp. 146, 147; and *Jahresbericht der Handelskammer zu Berlin*, 1903, p. 434; 1904, p. 406; and 1905, p. 329.

price of milk delivered at the railway stations in Berlin had been 10.5, 11, and 12 pfennige per liter.<sup>8</sup>

The refusal of the Railway Department to grant the reductions in freight charges demanded by the leading commercial bodies in 1895, 1896, and in 1901 to 1905, was due to the unwillingness of the Railway Department to precipitate a conflict of interests between the near-by producer and the distant producer. The fact that the *Bund der Landwirte* desired to raise the price of milk by limiting the production for the Berlin market also was a factor that influenced the Railway Department. The whole episode simply was one of those innumerable ones, now large, now small, which one finds whenever one looks beneath the surface in one's investigations into Prussian railway rates and Prussian conditions of trade and industry. The making of railway rates by government, through the state ownership of the railways, has brought the element of politics into innumerable Prussian rate questions. The government of Prussia, even though it is an enlightened despotism, has not its being in a vacuum, but in a medium of politicians and politicians' constituencies.

The annual report for 1904 of the *Ältesten der Kaufmannschaft von Berlin* stated that there was no prospect of the Railway Department granting the reduction in the freight charges that had been demanded time and again.

In the latter part of 1904 the Association of Berlin Milk-Dealers began the importation of milk from the Danish islands of Falster, Laaland, and Seeland, said milk being carried a little over 190 miles. At the same time the association announced that, upon the completion of the tank-cars that were building, it would import milk regularly from the mainland of Denmark, or Jutland, Sweden and Holland in the north and east, as well as from Bohemia in the west. It expected to establish the price of milk at the railway stations in Berlin at 11.5 pfennige per liter. The Danish state railways had agreed to take milk shipped in tank-cars on the same terms as petroleum, acids, wine, mineral waters, and other specifically enumerated articles are taken when shipped in tank-cars and

<sup>8</sup> In 1905 the railway milk was brought into Berlin as follows: 70 per cent. by fast freight trains; 20 per cent. by ordinary freight trains; and 10 per cent. by passenger trains.

imported into Germany from adjacent countries. The Danish state railways apparently assumed that the Prussian Railway Department would co-operate with them in that policy; they made no inquiry of the Prussian Railway Department until the first shipment of milk in tank-cars had been started on its way to Berlin. Liquids in tank-cars in international trade are charged freight on the basis of their net weight. The reduction in the freight charge on milk, should the latter be charged only on the basis of its net weight, together with the saving in the wear and tear of cans through the use of tanks, was estimated at 1 pfennige per liter, or 7 to 8 per cent. of the wholesale price of milk in Berlin in recent years. With that saving the retail dealers believed they would be able to organize and maintain a regular import trade in milk.

No attempt was made to ship milk into Berlin in tank-cars from distant points in Germany; for there was no possibility of the Railway Department permitting the use of tank-cars for German milk on the basis of charging freight on the net weight of the milk.

On September 18, 1905, arrived in Berlin the first tank-car carrying Danish milk. It came from Jutland, a distance of upward of 300 miles. For some time after that date each tank-car shipment of milk was received at Berlin by a squad of health officers accompanied by policemen in plain clothes; but it proved impossible to establish anything against the purity and wholesomeness of the tank-car milk. In the middle of November, 1905, the Railway Department forbade the further use of tank-cars in the international milk traffic, on the ground that milk was not one of the articles enumerated in the tariff governing the shipment of liquids in tank-cars. After issuing the aforesaid order, the Railway Department took evidence and testimony upon the question of the shipment of milk in the international traffic in tank-cars. In the middle of December the Railway Department again permitted the use of tank-cars. But it imposed a freight charge on the weight of the tank, both coming and going, and thus effected the withdrawal of the tank-cars in February, 1906.

In the fall of 1905, when the danger of a large import trade in milk being developed appeared real and serious, and even American producers were considering the question of exporting milk to Germany, the *Milch-Centrale* announced that for the year ending with September 30, 1906, the members of the *Centrale* might contract to sell their milk at the railway station in Berlin at 12 pfennige

per liter, the official price of the *Centrale* up to that time having been 13.5 pfennige.<sup>9</sup> In October, 1906, when the threatened danger had been averted by the ruling of the Railway Department, the *Centrale* raised the retail price of milk from 18 pfennige to 20 pfennige for milk sold across the counter, and from 20 pfennige to 22 pfennige for milk delivered at the house. The *Centrale*, whose operations up to this time had resulted in a deficit of something like \$1,500,000, hoped to pay off a part of that deficit through increasing the retail price of milk. In March, 1907, the retail prices of milk still were respectively 20 pfennige and 22 pfennige.

Early in January, 1907, the Chambers of Commerce of Berlin and Hamburg petitioned the Railway Department to put milk on the list of articles which may be carried in tank-cars on the basis of the payment of freight charges on the net weight of the liquid carried.<sup>10</sup> The petition was denied on the last day of February, 1907.

The argument of the Berlin Chamber of Commerce was as follows: The ruling of the Railway Department, together with the increased price asked by the dairymen of Jutland, had destroyed the importation of milk in tank-cars. The increasing difficulty of supplying Berlin from the limited territory which had been drawn upon in the past, made it necessary to draw upon East and West Prussia, Posen, eastern Pomerania, and, possibly, even upon Holland and Denmark, which latter countries now offered large supplies at reasonable prices. The tank carload rate would reduce the freight charge sufficiently to make it possible to draw on the enlarged territory aforesaid. Every summer and fall there was a serious scarcity of milk; in 1906 even the large dealers had been unable to meet the demands of their customers. The recent increase in the demand for milk had been due mainly to the rapid growth of the large cities, but in part also to the spread of the practice of abstention from alcoholic indulgence. Even among workmen in the iron trades, the building trades, and other callings making large demands upon men's physical strength, milk was beginning to compete with alcohol. It would promote the cause of temperance to have available at all times and at appropriate prices an ade-

<sup>9</sup> *Jahresbericht der Handelskammer zu Berlin*, 1905, p. 329; and *Berliner Jahrbuch für Handel und Industrie*, 1905, Part II, p. 146.

<sup>10</sup> *Mitteilungen der Handelskammer zu Berlin*, January 20, 1907.



quate supply of milk. Finally, while the large cities at present were inadequately supplied, the dairymen in the remoter country districts were unable to obtain from the local butter and cheese manufactories such prices as they would be able to command should their product be given access to large cities.<sup>11</sup>

In 1887, when the population of Greater New York was materially smaller than was the population of Greater Berlin in 1905, the Erie Railroad was bringing milk to Greater New York from Summit, a distance of 183 miles; and the Ontario & Western was bringing milk a distance of 202 miles. In the ten years ending with 1895 the "railway" milk supply of Greater New York increased by 47 per cent., whereas the population increased only 40 per cent. In the production of that increased supply of railway milk, participated but little the section of land comprised within a radius of 100 miles of New York by direct line.

In 1905 milk was brought into Greater Boston, which had a population of about 1,000,000, from points distant 213 miles. In that same year it was brought into Philadelphia, which had a population of 1,368,000, from points distant 353 miles.

The foregoing facts prove beyond the possibility of controversy that, so far as the Prussian State Railway Department is concerned, the business of supplying Berlin with milk is done wretchedly. That is the verdict of the facts in the case—of the German facts no less than of the American facts. For, as will be remembered, from September 18, 1905, to February, 1906, the enterprise of the Berlin dealers in milk, actively supported by the enterprise of the Danish state railways, and unwillingly supported by the Prussian state railways, regularly maintained an import trade in milk into Berlin from points distant upward of 300 miles. And in January, 1907, no less a body than the Berlin Chamber of Commerce stated that, if the co-operation of the Prussian state railways could be secured, a regular trade from points distant 300 miles, and more, could be re-established. The wretched conditions under which Berlin is supplied with milk are in no way due to lack of enterprise on the part of the milk-dealers of Berlin; nor are they in any way due to any lack of technical efficiency on the part of the Prussian state railways. Those wretched conditions are due solely to the fact that under the mak-

<sup>11</sup> *Mitteilungen der Handelskammer zu Berlin*, January 20, 1907.

ing of railway rates by government in Prussia it has been found politically necessary to make railway rates very largely on the principle that "the natural disadvantages of the more distant producers" may not be "overcome," lest "the producers nearer the market" be "denied recognition of their more favorable location," to use the words employed by the Interstate Commerce Commission in *Milk Producers' Protective Association v. Railways*.

HUGO R. MEYER

BERLIN, March 1, 1907